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UNITED STATES DEPARTMENT OF AGRICULTURE



# FARMERS BULLETIN



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## OFFICE OF THE SECRETARY.

Contribution from the Office of Farm Management, W. J. Spillman, Chief.

## THE FARMER'S INCOME.<sup>1</sup>

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### SUMMARY.

A comparison of the farmer's income with that of other classes of workers is difficult because the farming business has not been entirely reduced to a money basis.

The average farm family has earnings, including house rent and the value of food and fuel supplied by the farm, about equal to those of the average industrial family, but the farmer has the advantage of a much lower cost of living and has, in addition to his earnings, the interest on the money he has invested in his farm business.

The wages of the average farmer are about \$600,<sup>2</sup> composed of about \$200 in cash and about \$400 supplied by the farm. The average wage earner in a factory earns about \$460, and the average salaried employee about \$1,200. Thus the farmer's wages are higher than those of industrial wage workers but lower than those of salaried employees in industry. (See fig. 1.)

In view of the lower cost of living on the farm and the fact that two-thirds of the farmers have interest in addition to wages, it appears that farmers, as a class, are better off than the majority of persons engaged in other pursuits.

### NATURE OF FARM BUSINESS.

The business of the farm is so complex and so different in many particulars from that of other enterprises that it is a difficult task to measure the income earned by farmers in terms comparable to

<sup>1</sup> This bulletin is based on a circular on this subject by W. J. Spillman, issued July 19, 1913, on Bulletin No. 635, entitled "What the Farm Contributes Directly to the Farmer's Living," by W. C. Funk, and on statistics collected by the Office of Farm Management and the Demonstration Service, of this department, by the Bureau of the Census, the Bureau of Labor, and the Immigration Commission.

<sup>2</sup> See pp. 5 and 6.

incomes of persons in other pursuits. The farmer lives at his place of business and pays no cash rent for the use of his house, while his fields and groves are nearly as much a part of his residence as the rooms in the farm dwelling. The farmer derives two-thirds of his food and fuel from the farm and pays no cash for them. When a value is placed on these items it is a wholesale farm value, which is much less than the price paid for the same articles by the city dweller, who has to pay in addition a series of transportation charges, commissions, and profits of middlemen. Furthermore, the products supplied by the farm are generally superior in quality to those obtained at groceries by the average city dweller. It is impossible, however, to place a correct money valuation on this difference.

The farm owner's capital is his farm. This includes not only his real-estate investment but also his entire working capital. The farm generally represents all of his savings and the inherited savings of his ancestors. The income derived from the farm is composed, from this point of view, of four different elements—the cash earnings of the farm family during the year under consideration, the living supplied by the farm, the annual return on the accumulated savings of the farmer's own life, and the annual returns on the inherited savings of his forbears.

In comparing the farmer with the city man who draws a weekly wage for his labor and spends it in providing the necessities of life for his family, the outstanding difficulty involved is the fact that the farm business has as yet not been reduced altogether to a money basis. The city man sells his labor for money and buys all he consumes at the cost of money. He invests whatever savings he may have or whatever capital he may have inherited in enterprises that often have no connection whatever with his own activities. In other words, the city man's life has been entirely reduced to a commercial basis, his income and outgo may be measured in terms of the medium of exchange, while the farm is still to a large extent a self-sufficient unit producing values not all of which have been reduced to exchange prices and an income that contains elements measurable only by the amount of satisfaction derived by the owner.

The comparison of the earnings of farmers with those of other classes of population, which is attempted in this bulletin, can be, in view of the foregoing considerations, only of a very general nature, and the results are only approximately representative of actual conditions.

#### EARNINGS OF FARM FAMILY.

It is estimated on the basis of the census figures that the total value of crops produced in 1909 by the 6,362,000 farmers in the United States and not fed to live stock amounted to about \$3,250,000,000. The value of the live-stock products of the farms

was \$1,125,000,000, and the value of animals sold and animals slaughtered on farms, \$1,833,000,000. The total gross income derived by farmers from all these sources was about \$6,208,000,000, or \$976 per farm. In this item are included such portions of the farm products consumed at the home farms as the census enumerator was able to estimate, but the total falls short of the full amount of the farmer's income by the omission of the milk and cream consumed on the home farm and of a large proportion of the vegetables, fruit, and poultry. Furthermore, the figure includes no allowance for the fuel and use of the house. The aggregate of these additional items has been estimated at \$1,654,000,000, or \$260 per farm, making a total gross income of \$1,236 per farm. Out of this gross income the average farmer pays \$512 in farm expenses, including labor, fertilizers, feed, animals purchased, etc., and the cost of repairs and depreciation charges, leaving a net earning of \$724 available for family expenses, payments on mortgage, and savings. After deducting interest on the investment at 5 per cent (\$322), there is left \$402, the income produced by the labor of the farm family.

In arriving at this average all the farms of the United States were included, and the figure is affected by the financial losses sustained by the estates of wealthy persons who farm for amusement, by the small farm incomes from suburban farms whose owners earn their living by occupations other than farming, and by the low wages of small tenant farmers in the South, where tenantry in many cases is simply a method of hiring labor. Furthermore, the \$402 include no earnings derived from pursuits other than farming, an item that is important in certain regions in which even genuine farmers often engage in lumbering or other outside work in addition to their work on the farms. There is no doubt, therefore, but that this figure is lower than the true average income of typical farmers throughout the country.

The Office of Farm Management has made intensive studies of 4,018 farms in widely scattered sections of the United States. In each region selected all the farms were investigated, but the regions themselves generally represent better than average conditions. The average earnings of these farm families were \$952, of which about \$400 represented the value of the house rent and of food and fuel supplied by the farm, and about \$550 the cash income of the farm family. The two figures, \$402 and \$952, the one derived from a census of all farms, including many that are not bona fide farm enterprises, the other from a survey of sections in which the average farm ranks higher than the general average, may be considered as the extremes between which the true average lies. It is significant that the averages obtained by actual investigations of industrial fami-

lies fall approximately halfway between these two extremes. Thus, a study of 25,000 families of wage earners made by the Bureau of Labor in 1902 shows an average income of \$750 per family, and a study of 16,000 industrial families made by the Immigration Commission in 1909 shows an average of \$721 per family. These figures are about what students of social conditions have determined upon as being the minimum necessary for the support of an average family. While the farm families of the United States thus seem to be making about the same amount as the industrial families, there are three factors resulting from the nature of the farm business that make the conditions of farm families more advantageous.

1. Owing to the fact mentioned above that the values allowed for the items supplied by the farm are wholesale farm values, the cost of living on the farm is much less than in the cities, and if the figures were based on retail city prices, the average would have been not less than \$200 above that given. In other words, the average farm family saves at least \$200 on its annual bill for rent, food, and fuel, as compared with a city family of the same size.

2. In addition to the income earned by the labor of the farm family, farm owners have the interest on their farm investment, which amounts to about \$322 per family. About two-thirds of the farmers are owners and have the use of that money. It is true that out of their income they are obliged to make payments on their indebtedness, but this does not average more than \$100 a year for the farms that have mortgages, and only about one-third of the farms are reported as being mortgaged. In practice the farmer does not distinguish between the interest on his investment and the earnings of his family, and the income available for his expenses is derived from both sources.

3. In addition to earnings and interest, the farmer benefits by increases that may occur in the value of his property. During the decade preceding 1910 the increase was enormous, amounting to over \$20,000,000,000, or \$2,000,000,000 annually, so that, assuming that the increase was evenly distributed through the decade, the average farm family had property valued at about \$300 more in 1910 than in 1909. While this item does not directly increase the farmer's financial resources, for unless he sells his farm the money is not available, but his taxes increase; and while it is a question whether this increase in value is likely to continue long (and it seems probable that it will at least not continue at the same rate), nevertheless, in so far as the increase represents genuine value and not inflation, it is an increase in the farm capital, or in the earning power of the farm. It also has the advantage of strengthening the borrowing ability of the farmer, and thus increasing the amount of cash upon which he may draw. That the rise in farm values exerts a decided influence

on the economic conditions affecting farming is seen from the fact that in many regions landlords are content with very small cash returns on their investment in the expectation of making up the difference in the increase in the value of their property.

To sum up, it appears from the discussion that the average farm family makes approximately as much for its labor as the average industrial family, but owing to the lower cost of living on the farm and to the interest earned by the farm investment, the average farm family occupies a much more secure economic position than does the average city family. This statement refers to averages, and it should be remembered that a great many farmers fall far below those averages while others rise far above them. In a study of 4,400 farmers conducted by the Farm Demonstration Service of this department, it was shown that the most successful fifth of the farmers made about four times as much as the next to the least successful fifth, while the poorest fifth made considerably less than the interest on their farm investments. While it is doubtless true that the distance separating the richest from the poorest farmer is not as great as that separating the men at the lowest and at the topmost rung of the ladder in the industrial world, nevertheless there is a wide range of variation in prosperity even among farmers.

#### THE FARMER'S WAGES.

In order to compare the wages earned by the farmer himself with those earned by the worker in other industries, the value of the unpaid labor of the farmer's family should be subtracted from the figures discussed in the preceding section. This item amounts to approximately one-tenth of the net earnings of the whole farm family. The farmer's wages, based on an average for the entire country, are approximately \$360 a year, including food, fuel, and lodging furnished by the farm, while based on the farms included in farm management surveys they are \$852 a year. If the real wages earned by the representative farmer of the United States were midway between these two extremes, his earnings would be about \$600. This figure is below the average obtained by a study of 4,400 farms in the United States made by the demonstration service of this department. This average was \$387 in cash, to which should be added about \$400 in home supplies and rent, bringing the total up to about \$800. Thus, \$600 is a conservative figure for the farmer's wages and may be compared with the \$518 earned by the average wage workers on full time in factories. When allowance is made for unemployment the factory workers average only \$460 a year, and while this includes women and children employed in manufactures, as well as men, wage earners even in such occupations as iron and

## EARNINGS OF DIFFERENT CLASSES OF WORKERS

### ANNUAL AVERAGE FOR:

FARMERS		
CASH		
WAGE EARNERS		
ON STREET RAILWAYS	674	
IN IRON AND STEEL WORKS	610	
IN FACTORIES	460	
IN TELEPHONE COMPANIES	438	
SALARIED EMPLOYEES		
IN FACTORIES	1188	
ON STREET RAILWAYS	1122	
PATROLMEN	1052	
FEDERAL EMPLOYEES	948	
IN TELEPHONE COMPANIES	843	
CLERGYMEN	663	

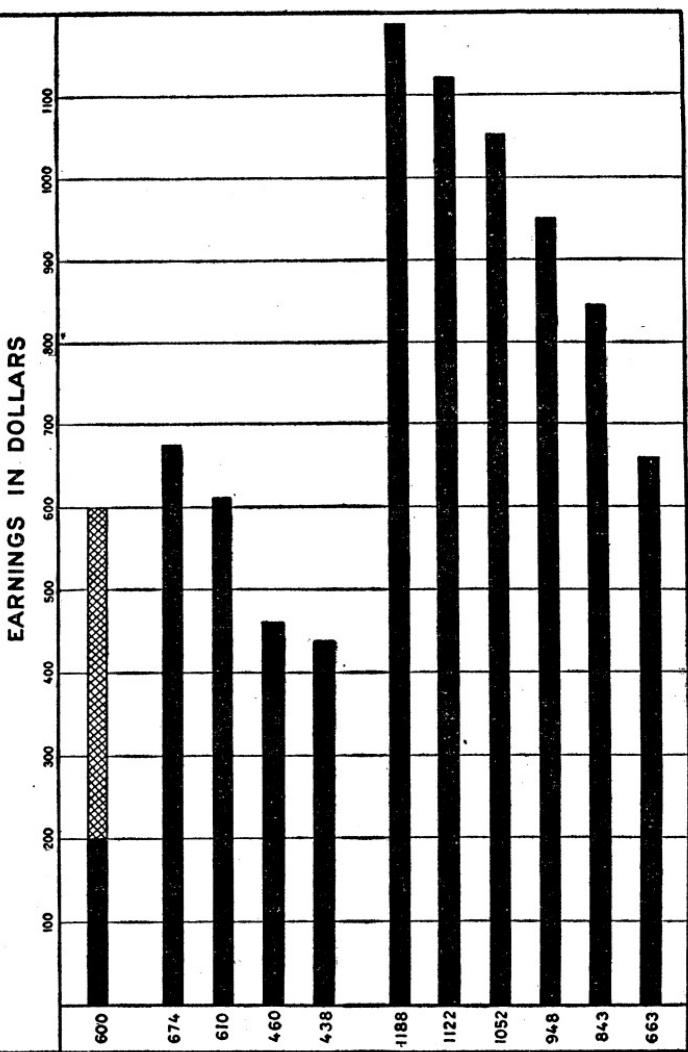


FIG. 1.—Earnings of workers compared. The first bar represents the approximate average earnings of farmers as estimated in this bulletin; the black section represents cash, and the hatched section the value of rent and of food and fuel supplied by the farm. The other bars represent average earnings for different classes of workers for whom statistics are available. It should be borne in mind that the cost of living on the farm is low and that farm owners have, in addition to their wages, the interest on their investment.

steel works and rolling mills report average earnings, allowing for time off, of only about \$610.

While the farmer's earnings are higher than those of most industrial wage earners, the salaried employees of factories, clerks, etc., who average \$1,188 a year, have cash incomes above those earned by farmers. The farmer's earnings may be further compared with the \$1,052 earned by the average patrolman on the police force in cities of at least 30,000 inhabitants, with the \$948 earned by the average employee of the United States Government, and with the \$663 earned by the average clergyman.<sup>1</sup>

The limitations of averages and the difficulties of comparison apply with the same force to the farmer's wages as to the earnings of the farm family, but in view of all the available evidence the conclusion seems justified that the farmer's earnings, all things considered, are greater than those of the average wage earner engaged in other occupations.

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<sup>1</sup> The figures introduced for comparison are all based on census reports. The number of persons involved and the years to which the figures relate are as follows: Street railway wage workers, 259,000 (1912); iron and steel workers, 240,000 (1909); factory wage earners, 6,615,000 (1909); telephone wage workers, 145,000 (1912); factory salaried employees, 790,000 (1909); street-railway salaried employees, 23,000 (1912); patrolmen, 32,000 (1907); Federal employees, 186,000 (1907); telephone salaried employees, 39,000 (1912); and clergymen, 105,000 (1906).

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